

# **Pre-Retirement Seminar**

A close-up photograph of a woman with short, light brown hair and blue eyes, smiling warmly at the camera. She is wearing a dark grey blazer over a light-colored collared shirt. In the background, two other people are visible but out of focus: a man on the left and a woman in the center, both also smiling. The background appears to be an outdoor setting with a bright, hazy sky.

**SCRS/PORS Overview January 2007  
B&CB South Carolina Retirement Systems  
Peggy G. Boykin, CPA, Director**

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# **Seminar Outline**

## **Active Membership Topics**

- **Service purchase options**
- **Disability retirement**
- **Group Life Insurance**

## **Retirement Topics**

- **Eligibility**
- **Payment Plans**
- **Retirement Formula Example**
- **Teacher and Employee Retention Incentive (TERI) program (SCRS)**
- **Returning to Covered Employment and Break-In-Service Requirements**

# ACTIVE MEMBERSHIP TOPICS



# Active Member Service Purchases



- **QUALIFIED SERVICE**
  - Military service
  - Approved leaves of absence
  - Public service
  - K-12 educational service (classroom teaching)
  - State ORP participation
- **NON-QUALIFIED SERVICE**
- **OTHER**
  - Withdrawal Service
  - Transfer from SCRS to PORS
  - Convert Class I to Class II

# **Service Purchase**

## ***Cost to Member***

- **Qualified Service**
  - 16 percent of current earnable compensation or career highest fiscal year earnable compensation, whichever is greater, for each year purchased
- **Non-Qualified Service** (5 years earned required)
  - 35 percent of current earnable compensation or career highest fiscal year earnable compensation, whichever is greater, for each year purchased and up to five years maximum across systems
- **Withdrawn Service**
  - This requires return of withdrawn amount plus interest to date of service purchase request



# **Service Purchase**

## ***Cost to Member***

- **Transfer from SCRS to PORS**
  - **An active contributing member of PORS may transfer non-concurrent (not earned at the same time) periods of SCRS service to their PORS account by paying 5% of their current earnable compensation for each year of service to be transferred**
  - **SCRS earned service that is transferred to PORS counts toward the 5 years earned service for benefit eligibility and (NQ) service purchases. It does not count toward the PORS average final compensation (AFC)**

# **Service Purchase**

## ***Cost to Member***

- **Convert SCRS Class I to Class II**
  - **Active contributing SCRS members with prior Class I service may convert the Class I service to Class II**
  - **The cost is 2.5% of earnable compensation or the average of the 12 highest consecutive quarters of earnable compensation, whichever is greater, for each year of service converted**
  - **No employer match required**



# **Service Purchase**

## ***Cost to Member***

- **Convert PORs Class I to Class II**
  - **Active contributing PORs member with prior Class I service may convert the PORs Class I service to PORs Class II**
  - **The cost is 5% of current earnable compensation, for each year of service converted, less \$16 per month for each month converted**
  - **PORs service credit earned prior to July 1, 1974 has an employer match of 1.5% of the member's monthly earnable compensation for each month to be converted**
  - **PORs service credit earned after July 1, 1974, has an employer match of 2.5% of the member's monthly earnable compensation for each month to be converted**

# **Service Purchase**

## ***Requirements***

- **Must be an active contributing member, who has not retired, to purchase service**
- **No duplication of benefits in another defined benefit retirement plan (excludes military)**
- **No overlapping service credit**
- **Non-qualified service requires five years of earned service**

# **Service Purchase**

## ***Methods of Payment***

- **Approved Rollovers: 401(k), 401(a), 403(b), 457, or IRA rollover**
- **Personal check or money order**
- **SCRS Service Purchase Installment Program**
  1. **Tax deferred available.**
  2. **10% interest rate for any installment activation dates of July 1, 2006 - June 30, 2007.**
  3. **Payments may be spread out for twice the number of years/months purchased. For example, payments for the purchase of two years of service may be spread out over four years.**

# Active Member Disability Retirement

- Five years of earned service unless job-related.
- SCRS - must be under age 65; PORS - must be under age 55.
- Available to active, contributing members who have not retired.
- Disability applications are due by date terminated, but must be received by the Retirement Systems, no later than 90 days after termination.
- Calendar year earnings limitation applies for all public and private employment.
- Approval does not guarantee disability retirement annuity for life. Continuing disability review may be scheduled periodically.
- Disability retirement approval does not automatically grant retiree health insurance, nor does SCRS administer health insurance.
- Prior to leaving employment or accepting retirement (disability or service), employer or insurance provider should be contacted to determine health insurance coverage options, as SCRS does not administer health insurance.
- Service credit purchases must be requested and paid prior to retirement (disability or service), including installments. Contact Customer Services for disability retirement estimate.



# **Active Contributing Member Pre-Retirement Group Life Insurance**

- **Employer must be covered**
- **Must have one year of earned service credit – requirement is waived if death is job-related**
- **Single-sum payment equal to one year's annual salary**



# **Active Contributing Member In-Service Death Benefits**

## ***Five Years Earned Service Minimum***

- **If active contributing member, who has not retired, has 15 or more years of service credit (five of which must be earned service), beneficiary has choice of monthly benefit or refund of employee contributions plus interest.**
- **If SCRS member is age 60 (PORS - age 55) and has 5 years of earned service, beneficiary has choice of monthly benefit or refund of employee contributions plus interest.**

# **PORS Accidental Death Program (ADP)**

- **If employer is covered, available for active members and working contributing retirees**
- **50 percent of annual salary divided by 12 = monthly gross ADP pension**
- **Cause of death must be in the line of duty and cause of death must be from external force without willful negligence of member**
- **Lifetime monthly payment goes to surviving spouse; or surviving children until age 18; or parents if no surviving spouse or children under age 18**

# RETIREMENT TOPICS



# When Can I Retire in SCRS?

**(5 years earned service required)**

## Regular Service Retirement

- 28 years of service credit on date of retirement [of which, at least 5 combined (SCRS/PORS/GARS) must be earned service]
- Age 65 on date of retirement with at least five years of combined (SCRS/PORS/GARS) earned service at retirement
- Age 65 on date of retirement with both age 60 on December 31, 2000, and an active contributing member on December 31, 2000.

## Early Retirement ( Reduced 5% for each year of age less than 65 - up to 25% max)

- Age 60 on date of retirement with at least five years of combined (SCRS/PORS/GARS) earned service

## Early Retirement (Reduced 4% for each year of service less than 28, up to 12% max)

- Age 55 on date of retirement and a minimum of 25 years of service credit [of which, at least 5 combined (SCRS/PORS/GARS) must be earned service. Not eligible for a COLA until second July 1<sup>st</sup> after turning age 60 or would have reached 28 years. Health coverage restrictions may also apply.

# What if I do not have 5 years earned and wish to retire in SCRS?

## • If Your Current Membership Began Before January 1, 2001: Service Retirement :

- 28 years of service credit on date of retirement [of which, at least 5 combined (SCRS/PORS/GARS) creditable years of service were accrued on December 31, 2000, and not subsequently withdrawn];
- Age 65 on date of retirement with at least five years of combined creditable service (SCRS/PORS/GARS) accrued on December 31, 2000, and not subsequently withdrawn;
- Age 65 on date of retirement with both age 60 on December 31, 2000, and an active contributing member on December 31, 2000.

## Early Retirement (Reduced 5% for each year of age less than 65, up to 25 % max)

- Age 60 on date of retirement with at least five years of combined creditable (SCRS/PORS/GARS) service were accrued on December 31, 2000 and not subsequently withdrawn;
- Age 60 on date of retirement with both age 60 on December 31, 2000, and an active, contributing member on December 31, 2000;

## Early Retirement (Reduced 4% for each year of service less than 28, up to 12% max)

- Age 55 on date of retirement and a minimum of 25 years of service credit [of which, at least 5 combined (SCRS/PORS/GARS) creditable years of service were accrued on December 31, 2000, and not subsequently withdrawn.] Not eligible for a COLA until second July 1 after turning age 60 or would have reached 28 years, Health coverage restrictions may also apply.



# **When Can I Retire in PORs?**

**(5 years earned service required)**

- **Regular Service Retirement**
  - 25 years of service credit on date of retirement [of which, at least 5 combined (SCRS/PORS/GARS) must be earned service at retirement]
- **Early Service Retirement**
  - Age 55 on date of retirement [of which, at least five years of combined (SCRS, PORS, or GARS) earned service at retirement]

# **What if I do not have 5 years earned and wish to retire in PORs?**

- **If Your Current Membership Began Before January 1, 2001:**

## **Regular Service Retirement**

- 25 years of service credit on date of retirement [of which, at least 5 combined (SCRS/PORS/GARS) creditable years of service were accrued on December 31, 2000, and not subsequently withdrawn]

## **Early Service Retirement**

- Age 55 on date of retirement with at least 5 combined (SCRS/PORS/GARS) creditable years of service were accrued on December 31, 2000, and not subsequently withdrawn

# Payment Plan A Retirement Formula Example

**Step 1** Total 12 highest consecutive quarters of salary and divide by 3 to compute the average final compensation (AFC)

**Step 2** Multiply the amount by 1.82% **SCRS**  
Multiply the amount by 2.14% **PORS**

**Step 3** Multiply the result of step 2 by years, months and days of creditable service;

**Step 4** Divide by 12 for gross monthly Option A amount

**Step 5** Apply any SCRS early retirement penalty and/or Joint Survivor Payment Plan (Option B or Option C) Reduction Factors

# Example Continued

**Average Final Compensation (AFC) = \$30,000**

**SCRS \$30,000 x 1.82% = \$546**

**PORS \$30,000 x 2.14% = \$642**

**SCRS \$546 x 28 years = \$15,288**

**PORS \$642 x 25 years = \$16,050**

**SCRS \$15,288 ÷ 12 = \* \$1,274.00**

**PORS \$16,050 ÷ 12 = \* \$1,337.50**

\* AFC (Average final compensation) is the total of the highest 12 consecutive quarters of earnable compensation (ie; January, February, March) divided by 3. The dollar amount of up to 45 days of accrued annual leave paid by the employer at retirement may be included before averaging the 12 highest consecutive quarters of compensation. For TERI retirement dates of 7/1/05 and after, annual leave is calculated upon termination from employment, not at the onset of the TERI deferral period. At retirement, you may receive service credit for up to 4.5 months of unused sick leave from your last employer. One month of service credit is granted for each 20 days of sick leave.

# Retirement Payment Plans

- **Option A: Maximum, Retiree Only Annuity**
- **Option B: 100% - 100% Joint Retiree-Survivor (Revert to Maximum) Annuity**
- **Option C: 100% - 50% Joint Retiree-Survivor (Revert to Maximum) Annuity**
- **Your payment plans may only change twice after retirement as a result of a qualifying event, with revert to max counting as one of the two allowable changes**



# **(SCRS Only) Teacher and Employee Retention Incentive Program (TERI)**

- Any contributing SCRS member who is eligible to retire may elect to TERI on the retirement application.
- You are retired from the Retirement Systems and continue working, although service credit stops.
- Monthly retirement annuity payments are deferred and are distributed upon termination of employment.
- No interest on accrued TERI account.
- Maximum length of TERI participation is up to 60 months.
- If your first month of retirement is for a partial month, it will count as one month of TERI.
- For TERI retirement dates of 7/1/05 and after:
  - The AFC is recalculated at the end of the TERI period to include payment for unused annual leave made at termination.
  - TERI participants with a retirement date of 7/1/05 and after, pay contributions for SCRS covered employment.
- Prior to entering TERI, consult IRS or your tax advisor regarding any tax liability that may occur at the point you plan to end TERI and receive your TERI distribution.

# **ENDING TERI**

## **TERI Distribution and Tax Liability**

- **Must terminate employment**
- **Distribution of TERI account:**
  - **Single-sum distribution**
  - **Tax-sheltered rollover**
  - **Combination of single-sum distribution and tax-sheltered rollover**
- **20 percent Federal tax withholding on taxable portion of distribution**
- **IRS 10 percent penalty for early distribution may apply based on age; however, penalty exceptions may apply, such as: separation from service (TERI termination) year of/after age 55.**
- **Tax liabilities may apply. Consult with tax advisor, accountant, IRS, and/or the SC Department of Revenue**

# **SCRS/PORS Service Retiree Returning To Covered Employment**

- **Your SCRS or PORS service retirement annuity is not subject to an earnings limitation.**
- **An SCRS or PORS service retiree must be retired for 15 consecutive, calendar days before returning to work for a covered employer.**
- **Although TERI participation counts towards the break-in-service requirement, state and federal law requires a severance from employment to receive a TERI distribution or an annuity. Since the definition of a legitimate severance of employment may differ from employer to employer, please consult your employer as to its determination of a legitimate severance of employment between TERI termination and rehire date, if applicable.**

# **Working Retiree Contributions Excludes Active TERI participants with DOR prior to July 1, 2005**

- Working retirees who return to work for an employer covered by the Retirement Systems, pay contributions on salary earned from SCRS or PORS covered employment as below:

<b>Pre-Tax Rates</b>	<b>7/1/2006</b>
<b>SCRS</b>	<b>6.50%</b>
<b>PORS</b>	<b>6.50%</b>

- TERI participants with pre 7/1/05 dates of retirement, by court order do not pay working retiree contributions during TERI period. Upon termination as a TERI participant, working retiree contributions will be withheld if return to work is with a covered SCRS/PORS employer.

***Note: Federal calendar year compensation limits from which contributions can be deducted apply for new memberships after 1/1/1996 (2007- \$225,000)***





# **Group Life Insurance Working Retiree Contributing \* Member**

- **The employer must be covered for group life insurance upon death of retired contributing member.**
- **The beneficiary of a covered SCRS or PORS working retired contributing member will be eligible for a group life insurance benefit – a payment equal to one year's annual salary – in lieu of the \$2,000, \$4,000, \$6,000 post-retirement group life insurance benefit normally available to covered retirees.**
- **\* TERI participants who are exempt from working retiree contributions by order of the SC Supreme Court are covered for working retiree group life, if the employer is also covered.**



# Post-Retirement Group Life Insurance

<b>SCRS</b> <b>10 to 19 years</b> <b>\$2,000</b>	<b>SCRS</b> <b>20 to 27 years</b> <b>\$4,000</b>	<b>SCRS</b> <b>28+ years</b> <b>\$6,000</b>
<b>PORS</b> <b>10 to 19 years</b> <b>\$2,000</b>	<b>PORS</b> <b>20 to 24 years</b> <b>\$4,000</b>	<b>PORS</b> <b>25+ years</b> <b>\$6,000</b>

***Employer must have PRGL insurance.***

***If you are a working retired contributing member, please refer to the previous slide.***

# **Retiree Cost-of-Living (COLA) Adjustments**

## **• SCRS**

- **Eligible** retired SCRS members will receive an annual guaranteed COLA of up to 1 percent if the prior December 31<sup>st</sup> CPI increased at least 1 percent. In addition, B&CB may grant a COLA in excess of 1 percent, if the CPI increase exceeded 1 percent and funding is available. The total COLA cannot exceed 4 percent.
- Retirement must be in effect the previous July 1<sup>st</sup>, to be eligible for an approved COLA, with exception noted below:
  - If retiring early under SCRS age 55/25 yos plan, not eligible for COLA until the earlier of the second July 1<sup>st</sup> after reaching age 60 or the second July 1<sup>st</sup> after the retiree would have attained 28 years of service had the retiree continued working.

## **• PORS**

- Not guaranteed. If approved, eligible retirees may receive up to 4 percent COLA, dependent upon actual CPI and funding availability.
- Retirement must be in effect the previous July 1<sup>st</sup>, to be eligible for an approved COLA.

# Retirement Planning - Monthly Annuity Estimates

## Customer Services

- By phone: (800) 868-9002 or (803) 737-6800
- In person: 8:15 a.m. - 4:45 p.m.  
202 Arbor Lake Drive, Columbia, SC 29204
- By E-mail: [cs@retirement.sc.gov](mailto:cs@retirement.sc.gov)  
When E-mailing Customer Service, please include your full name, the last four digits of your Social Security Number for account identification, and your daytime telephone number so that we may better assist you.
- In writing: P.O. Box 11960, Columbia, SC 29204
- Fax: (803) 737-7594

- Other: Web site calculator at  
[www.retirement.sc.gov](http://www.retirement.sc.gov)  
Electronic Employer Services (EES) at  
[www.scrs.state.sc.us/ees](http://www.scrs.state.sc.us/ees)